

The Honolulu Advertiser
August 17, 1983

Little left for Rewald investors

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money, Hayes said.

He said he will seek to recover Rewald's personal assets allegedly purchased with company funds, as well as the assets of "anyone who acted in concert with him" in diverting corporate funds to personal use. And Hayes said the bankruptcy trustee may take legal action against "those who knew or should have known better" that the diversion of investors' funds was improper.

Hayes testified that the company began operating in a big way in 1982. The firm's 1981 tax return listed \$19,000 in company assets, he said.

The company's bank balance in January 1982 stood at \$250,000, Hayes said. Monthly deposits began steadily rising from that point on, "peaking in April 1983 at \$2.3 million. They fell off in June and July to \$1.3 million," Hayes said.

Every month, virtually all the money — most of it in the form of creditors' investments — went into the firm's main checking account at Hawaiian National Bank and was almost immediately "spun out," Hayes said.

"Anybody who sees money spinning that fast obviously sees a very shaky financial situation."

Rewald was spending \$260,000 a month in company funds on personal expenses while also drawing a monthly salary of

\$20,000, Hayes said.

Rewald attorney Smith asked several times yesterday if Hayes was familiar with some \$1.7 million in personal funds Rewald allegedly deposited with Bishop, Baldwin but Hayes repeatedly said that although he had seen documents to that effect, he knew of no evidence showing that Rewald had actually deposited the money.

Smith said yesterday he still wants to make a deal for his client.

"Certain suggestions have been made to the prosecuting authorities," Smith said. "Immunity, some sort of agreement against prosecution in return for cooperation."

"I think the fundamental question is: Are the investors more concerned with punishing Mr. Rewald, is the community more concerned with punishing Mr. Rewald or with getting the investors' money back? Where are our priorities right now?"

Rewald is in state custody and has been since his arrest Aug. 8 by police on theft charges. He has been unable to post \$10 million in bail imposed by Circuit Judge Robert Won Bae Chang.

A motion on bail reduction filed by Rewald's criminal defense attorney, Brook Hart, is scheduled for argument this afternoon.

Rewald and his company are under investigation by a number of other federal and state agencies. A civil fraud complaint has been filed against

him by the federal Securities and Exchange Commission. Federal grand jury proceedings have been conducted by the U.S. Attorney's Office, based on evidence developed by the FBI. The IRS has been probing Rewald's finances for at least a year.

Yesterday, attorneys for both the SEC and bankruptcy trustee Hayes said they are closely examining the Rewald-related activities of attorney Robert W. Jinks, who testified before Judge Pence yesterday.

Jinks' name appears on the master lease of the Bishop, Baldwin suite of offices in Grosvenor Center on Bishop Street. He said yesterday he signed the lease in his capacity as trustee for a multimillion-dollar trust created by the estate of Leland Don Halvorsen, a well-to-do Big Island man who was murdered in 1976.

Also signing the lease were Rewald; Bishop, Baldwin president Sunny Wong; and local attorney Gerald N.Y.C. Lam. Lam is also a part-time Honolulu district court judge.

Jinks said he believed Bishop, Baldwin was a sublessee of those four lessors, but wasn't sure because he moved to the Mainland shortly after the lease was signed.

Lam's law office was in the Bishop, Baldwin suite of offices.

Both Lam and Jinks have been listed as company consultants in Bishop, Baldwin literature distributed to investors and prospective investors.

SEC attorney Anita Nagler said yesterday Jinks told SEC personnel who interviewed him earlier this year in Napa that he was the Western regional supervisor of the firm. But he testified yesterday that he was only a legal consultant to the firm and was paid a monthly retainer of \$4,000 for that service.

He said he had discussed the payment of "bonuses" to persons who brought in new investors and acknowledged distributing literature stating that investment accounts were insured by the federal government up to \$150,000 per account. Federal officials have said that even if the government did insure those accounts — it doesn't — the maximum per account would be \$100,000.

Jinks also said yesterday that he invested some \$900,000 in funds from Bishop, Baldwin investors in a Napa apartment building. He said he is a general partner of the limited partnership that owns the building and collects a 10 percent management fee as general partner. But he said he is not sure if the partnership is registered with the state of California.

And he said the funds invested had been returned by Bishop, Baldwin to its clients, who then turned the money over to Jinks.

Jinks said he has invested personal funds with Bishop, Baldwin and had also had good results with tax shelter investments at the company.